Institute of Chinese Studies
ICS
中国研究所 DELHI

ANALYSIS

No. 154 October 2023

The 10th Anniversary of China's 'Belt and Road Initiative' (BRI): Where is it Headed?

Kishan Rana

Former Indian Ambassador/ High Commissioner to Algeria, Czechoslovakia, Kenya, Mauritius and Germany; Professor Emeritus, DiploFoundation, Malta and Geneva; and, Emeritus Fellow, Institute of Chinese Studies, New Delhi

These reflections were triggered by a two-part, 1-hour, 'Drum Tower' podcast[1] on *The Economist*, broadcast at the end of September 2023. It connects with my earlier writings on China's 'Belt-and Road Initiative' (BRI).[1] We are now at the 10th anniversary of this major Chinese foreign aid and global connectivity enterprise, launched by Xi Jinping within a year of gaining top leadership of China in October 2012. BRI embodies Xi's strong personal backing and commitment.

What should we understand of the BRI's future? Is it a success or a failure? Bear in mind that China has spent hugely, over $1 trillion, to fund these projects. It will surely examine and fold into this global enterprise the lessons learnt, including persisting allegations of a "debt trap" that the BRI has created for some of the over 100 countries that have borrowed monies, some very heavily. Around 150 countries have signed BRI MoUs with China; but a tide of caution has been rising.

The Podcast

The first 35-minute podcast referred to above focused on a correspondent's train journey through Laos, right up to a new town that has developed on the Laotian side of the border; the line starts in Kunming, Yunnan's capital. It may be recalled that this rail link is to go through Thailand, right up to Bangkok, with the latter part still under construction. There is another such railway line, which also commences in Kunming, and runs through Myanmar to Malaysia and Singapore (these last two segments are currently being built). These two North-South lines will reshape transportation, essentially tying the region with China. There is also an old dream of an East-West link, which might use parts of these two lines, linking North East (NE) India with Myanmar and other South East (SE) Asian states, even Vietnam. An open question: might China might participate? It's self-interest is in the North-South linkages.

Some reflections evoked by this podcast:

- A new highspeed rail-line to Laos makes no economic sense, except as part of larger outreach to SE Asia.

- An influx of Chinese capital has raised questions in Laos over corruption, and changes in local life. A pharmacy in the special border town on the Laotian side of the frontier explains how a special economic zone works, with lots of local compromises, attracting Chinese investors and service staff, in the hope of large manufacturing investments; that may not be very realistic. Some are building casinos and commercial ventures not permitted in China.

- China allows borrowing countries to delay re-payments, but the debt keeps rising. It also creates a huge financial burden, which impinges on other social expenditure, including education. This, too, is an unseen burden on borrowers.

- Did China realise that it would create debt at a level that could not be repaid? That question divides analysts. China is extremely reluctant to write-off any debts. Where will this leave many countries such as Laos, Pakistan and Sri Lanka?

- Will the real cost leave the debtor in a crippled bilateral relationship, with long-term dependency?

The second podcast examined the impact of the BRI within China, as seen through a visit to a major city in Inner Mongolia:

- Public opinion is shifting in China, with less admiration for large spending on infrastructure. Now that the great outline has been established, perhaps new BRI projects will be more discerning, focusing more on sustainability.

- The BRI is understood by the locals in this province as an expression of China's generosity, and self-sacrifice. However, they question if China should spend so much money on foreign countries when their own economy is slowing down. This underscores how cautious the Chinese public is, towards giving external aid.

- When the BRI was announced, the locals in the border provinces, including Xinjiang, expected that they would become prosperous, but that has not happened. As mentioned in the podcast, "the public is getting scratchy" over foreign aid, an on-record comment by officials reveals. Some Chinese professors have stated that huge aid projects in Central Asia are good for China, but their own students do not feel happy over this. The Chinese government is yet to address these doubts.

Reports based on such ground-level investigation convey authenticity, and insight. What is especially striking is the conservative thinking among the public towards foreign aid.[2] This limits debt write-offs, even for an authoritarian state.

The Wider Canvas

Infrastructure projects are always hard to finance, and returns are both slow and low in monetary value than the social returns – but lenders are not enamoured with the latter, foreign countries even less.

Looking at the wider canvas it seems that domestic outreach is shifting the line from helping the Chinese economy, to new claims that China is helping other countries, and thus, contributing to the global economy. This fits the position that China is a global player.

At a deeper level, what might we anticipate in this second decade of BRI?

- China's new global initiatives[3] fit its wider narrative, that it upholds a more inclusive, egalitarian and less judgmental international and world order. This is easy to say, but it is not clear how far China will go in this pursuit of a new global architecture. For example, it has recently joined the dialogue, traditionally led by the West, to help highly indebted countries, but it is not yet clear if it will play by the rules of institutionalized World Bank and International Monetary Fund debt relief, or pick and choose among these. Few expect China to implement major debt write-offs, owing to its domestic compulsions. But without that, how can Pakistan, or Sri Lanka or other highly indebted African states get out of their massive, unviable debt burdens?

- Pakistan, which was a star in the projects it attracted in the early phase of BRI, received massive aid, widely estimated at $62 billion.[4] It simply cannot repay this without large Chinese write-offs, which is unlikely to happen, not the least because it will trigger such demands from other states. Furthermore, recent reports show that Pakistan is seeking $11 billion from China and Saudi Arabia.[5]

- In SE Asia, the two massive railway networks, Yunnan-Thailand and Yunnan-Singapore lines, will reshape commercial hubs and transport routes. They also demonstrate China's global leadership in high-speed railway technology, and will propel it to undertake other projects, in Africa and Latin America. However, these are expensive ventures, as the Balkan states and their neighbours saw after 2015, with the Serbia-Hungary railway line project; it was announced in early 2023 that it is now possible to travel Belgrade-Budapest in 3.5 hours. But the connected, more ambitious, Greece-East Europe fast link seems to have run into problems. The irony is that while such highspeed lines do not meet EU norms, it is China that has the best safety record, with a highspeed network that is larger than in the rest of the world.

- Sizable cost inflation is a regular feature with most major infrastructure projects. Perhaps this is inevitable, given also that implementation is invariably delayed beyond the original estimates. How far will China take recourse to the international finance institutions to deal with this?

- There are two other features that have been built into the BRI projects. First, they provide China with new global access, which lifts the country from its quasi-land-locked situation. That applies especially to the Trans-Asian rail routes through Central Asia, and the Gwadar-Xinjiang rail link. But the implementation cost is massive. Inevitably, that undermines quotidian utilisation of these routes. Perhaps the new rail-links to SE Asia might be more viable in economic terms, but that will be the exception. Second, such projects take Chinese technology and conception of engineering to the global marketplace. That is a long-term win.

- Italy, the one country in mainstream EU that had signed on to the BRI has now decided not to implement any project under that rubric. This will produce new Beijing-EU tensions.

- China's record with transfer of technology, developing local skills and inculcating know-how in recipient states is poor at best. It will face new demands on this, in Africa and elsewhere.

The looming second decade of the BRI presents a mixed picture, with problems outweighing the successes. High speed rail is a major Chinese asset, but seems to offer limited economic viability, save in SE Asia.

China’s larger political and economic scene also presents challenges. Growth has slowed down, and some sectors are in crisis, including the housing industry and local governance. New political intrusions into the operation of private business have added to insecurity for foreign investors. The eclipse of two major cabinet personalities hints at churning within the leadership. Of the two, Defence Minister Li Shangfu (as also the two eclipsed generals from the rocket forces) is a political heavyweight. The disappearance of Foreign Minister Qin Gang is of lesser domestic consequence, but his sudden replacement affects China’s external standing. Both these raise questions for Xi Jinping and are unsettling for China’s domestic population. They also add to challenges for domestic governance.

References

1 Rana, Kishan S. 2015. ‘The Silk Roads and India Today’, *Business Standard*, 2 May, https://www.business-standard.com/article/opinion/kishan-s-rana-the-silk-roads-and-india-today-115050200642_1.html.

Rana, Kishan S. 2017. ‘China’s Belt and Road Initiative (BRI): Impact on India & its China Diplomacy’, *ICS Occasional Papers*, Issue No. 16.

Rana, Kishan S. 2020. ‘Conclusion: An Indian Perspective on the Belt and Road Initiative’, in Young-Chan Kim (ed.), *China-India Relations: Geo-political Competition, Economic Cooperation, Cultural Exchange and Business Ties*, Cham, Switzerland: Springer.

2 The Economist. 2023. ‘What is the future of China’s Belt and Road Initiative?’, Podcast, Drum Tower, 26 September, https://www.economist.com/podcasts/2023/09/26/what-is-the-future-of-chinas-belt-and-road-initiative.

2 Wang, Hongying and Andrew F. Cooper. 2022. ‘Chinese Public Opinion on China’s Foreign Aid: Trade-offs or General Discontent?’, *Analysis*, US-China Perception Monitor, 8 August, https://uscnpm.org/2022/08/08/chinese-public-opinion-on-chinas-foreign-aid-trade-offs-or-general-discontent/.

3 Schuman, Michael, Jonathan Fulton and Tuvia Gering. 2023. ‘How Beijing’s Newest Global Initiatives Seek to Remake the World Order’, *Issue Biref*, Atlantic Council, 21 June, https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/how-beijings-newest-global-initiatives-seek-to-remake-the-world-order/.

4 Afzal, Madiha. 2020. ‘“At All Costs”: How Pakistan and China Control the Narrative on the China-Pakistan Economic Corridor’, *Research*, Brookings Institute, https://www.brookings.edu/articles/at-all-costs-how-pakistan-and-china-control-the-narrative-on-the-china-pakistan-economic-corridor/.

5 The EconomicTimes. 2023. ‘Pakistan Seeks $11 Billion Aid from China, Saudi Arabia to Keep IMF Bailout Programme on Track: Report’, 29 September, https://economictimes.indiatimes.com/news/international/business/pakistan-seeks-11-billion-aid-from-china-saudi-arabia-to-keep-imf-bailout-programme-on-track-report/articleshow/104035818.cms?from=md.

Author's Note

The BRI 2020 essay is an early version of what was later published as a book chapter. That book chapter was downloaded 271 times by 2021, with the book publisher earning Euros 24.95 per download.

This is what I wrote to the book Editor, a very nice person, in late-2021:

> As the enclosed screen-shot taken today shows, it has been downloaded 271 times, and the chapter download is priced at Euros 24.95. That comes to over Euros 6700.

I have not seen a penny of that, nor any moolah for that piece. The Editor kindly asked the Publisher if I might get a thin slice - the Publisher wrote back about the honour I gained as an author!

Splendid.

About the Author

Kishan Rana has an MA in Economics from St. Stephens College, Delhi. He joined the Indian Foreign Service in 1960 and served in the Indian Embassy in China (1963-65, 1970-72). He was the Indian Ambassador/ High Commissioner to Algeria, Czechoslovakia, Kenya, Mauritius and Germany and served on PM Indira Gandhi's staff (1981-82). A polyglot, he speaks Chinese and French, besides English, Kathiawari, and Hindi. He is Professor Emeritus, DiploFoundation, Malta and Geneva; Emeritus Fellow, Institute of Chinese Studies, Delhi; Archives By-Fellow, Churchill College, Cambridge; and, Public Policy Scholar, Woodrow Wilson Centre, Washington DC. Earlier, he was guest faculty, Diplomatic Academy, Vienna (2011-18) and Commonwealth Adviser, Namibia Foreign Ministry (2000-01). He has authored and edited 14 books, (with two translated into Chinese), including *Inside Diplomacy* (2000); *Asian Diplomacy* (2007); *Diplomacy of the 21st Century* (2011); *The Contemporary Embassy* (2013); *Diplomacy at the Cutting Edge* (2016); and, *Churchill and India: Manipulation or Betrayal?* (2023).

ICS ANALYSIS ***Back Issues***

Issue No. Month	Title	Author
No. 153 | Sept 2023	Media Censorship and "Queerness" in China	Chitra Nair
No. 152 | Jul 2023	Increasing Bride Price in China: An Unresolved Agenda	Snigdha Konar
No. 151 | July 2023	Bipartisan Political Brinkmanship Leaves U.S. Debt Crisis on Ventilator for Two Years	Hemant Adlakha
No. 150 | Oct 2022	Nancy Pelosi's visit to Taipei: Implications for the US-China-Taiwan Equation	Anushka Saxena
No:149 | Jul 2022	West Asia and North Africa (WANA): China's Enlarging Footprints Impact on The Indo-Pacific Region	Maj Gen Rajiv Narayanan
No:148 | Jun 2022	Creating Data by Negotiating: China's Data Barons and Government Control	Arushi Singh
No:147 | Mar 2022	AUKUS and the Great Power Rivalry	Ashu Maan
No:146 | Jan 2022	Legitimacy and Authority in Xi's China	Shivshankar Menon
No:145 | Jan 2022	China in the World Order: A Critical Examination	Rangoli Mitra
No:144 | Jan 2022	Exploration of Xi Jinping's Concept of Common Prosperity	Shyam Saran

PRINCIPAL SUPPORTERS TO ICS RESEARCH FUND

GARGI AND VIDYA PRAKASH DUTT FOUNDATION

Indian Council of Social Science Research

JAMNALAL BAJAJ FOUNDATION

TATA TRUSTS

PIROJSHA GODREJ FOUNDATION

ICS PUBLICATIONS

ICS ANALYSIS
A short brief on a topic of contemporary interest with policy-related inputs

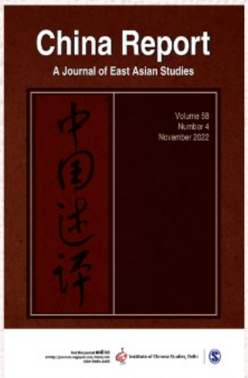
ICS OCCASIONAL PAPER
Platform for ongoing research of the ICS faculty and associates

ICS TRANSLATIONS
Opinions from scholars, commentators and analysts

ICS WORKING PAPER
Draft paper of ongoing research

ICS MONOGRAPH
Authored by the faculty, also emerging from research projects & international conferences

ICS JOURNAL



In its 58th year, *China Report* is a refereed journal in the field of social sciences and international relations. It welcomes and offers a platform for original research from a multidisciplinary perspective, in new and emerging areas, by scholars and research students. It seeks to promote analysis and vigorous debate on all aspects of Sino-Indian relations, India-China comparative studies and multilateral and bilateral initiatives and collaborations across Asia.

China Report is bought out by Sage Publications Ltd, New Delhi.

Editor	Sreemati Chakrabarti
Associate Editor	G. Balatchandirane
Assistant Editor	Rityusha Mani Tiwary
Book Review Editor	Vijay Nambiar

INSTITUTE OF CHINESE STUDIES
B-371 (3rd Floor), Chittaranjan Park,
Kalkaji, New Delhi 110019
Landline: +91-11-40564823

info@icsin.org

https://www.icsin.org

@icsin_delhi

@icsdelhi

@ics_delhi

InstituteofChineseStudiesDelhi

InstituteofChineseStudiesDelhi

InstituteofChineseStudies